

Title: System and Method for Electronic Loan Application and for Correcting Credit Report Errors

Inventor: Joseph E. Nelson and Kevin M. Darcey

Field of the Invention

This invention relates generally to correcting credit report errors and making loan applications. More particularly the present invention is a system and method for correcting credit report errors in conjunction with loan application and approval.

Background of the Invention

Applying for a loan can be traumatic. This is especially so when applying for larger loans, such as mortgage loans. The consumer must first collect a wide variety of information, make that information available to any person that has an interest in helping a borrower obtain funds for any reason. Such persons are loan originator or brokers but may also be car dealers, retail establishments and the like (hereinafter collectively "loan facilitators"). Typically, the broker has the consumer sign a permission form allowing the broker to obtain a credit report. Once the credit report is obtained from any one or all of three credit bureaus, that credit report is viewed by the broker and sometimes made available to the consumer for review.

The difficulty with credit reports is that form and format of these reports may be incomprehensible to the normal human being. They are difficult to read, and frequently contain adverse and erroneous information. Any such adverse or erroneous information can affect the ability of the consumer to obtain a loan in the first place.

If a credit report has negative or adverse and erroneous information, the loan

1 facilitator may request information from the consumer regarding such adverse or
2 erroneous information. If such information cannot be eliminated from the credit report
3 in a meaningful fashion, the consumer may have their loan rejected by the broker, or
4 may be forced to go to a lender who deals with individuals with less than perfect credit.

5 When dealing with a lender of this type, typically the "deal" that is offered to a
6 consumer is not as advantageous as one that would be offered if the consumer had
7 good credit.

8 A second difficulty with this process for situations where credit is not perfect, is
9 that the consumer or indeed the broker himself may not know all of the sources or all of
10 the lenders who would be willing to make loans to individuals with less than perfect
11 credit. By simply going to a single lender, the best deal that the consumer might
12 otherwise obtain will not be available.

13 If the consumer determines that there is adverse or erroneous information on the
14 credit history, the consumer is then faced with the difficulty of how to correct the
15 adverse or erroneous information. Most consumers do not know the rules and
16 regulations associated with correcting adverse or erroneous information on a credit
17 report. Therefore, any system that can assist a consumer in this fashion will be
18 welcome indeed.

19 However, in the event that certain adverse credit that is reported is in fact
20 correct, consumers still deserve the best possible deal on loan letters to be offered.
21 Therefore, any system that helps in obtaining the best deal possible would also provide
22 a major benefit to consumers.

23 What would therefore be useful is any system and method that allows a

1 consumer to receive credit information in a readable and user-friendly fashion. Such a
2 system would allow a consumer to correct any adverse or erroneous information in a
3 manner that adheres to the rules for making such corrections. Further, such a system
4 would allow a consumer to receive a variety of offers, all of which are designed to have
5 a competitive environment for obtaining the best offer of a loan for a consumer.

6 **Summary of the Invention**

7 As noted above, it is an object of the present invention to allow credit to be
8 corrected in a simple, easy to understand, and efficient fashion.

9 It is a further objective of the present invention to allow credit errors to be
10 corrected over a network such as the world wide web.

11 It is yet another objective of the present invention to allow customer based
12 responses to be submitted which will effect credit corrections.

13 It is yet another objective of the present invention to present to the customer a
14 series of templates offering options for explaining and/or submitting mitigating
15 circumstances for correcting credit report errors.

16 It is yet another objective of the present invention to provide for a
17 comprehensive, unified and user-friendly presentation to a customer of the results from
18 the various credit bureaus.

19 It is yet another objective of the present invention to translate information from
20 credit bureaus into common terminology that an average customer can understand.

21 It is a further objective of the present invention to provide for credit correction
22 services which are free of charge to the customer.

23 It is yet another objective of the present invention to provide for loan facilitators

1 to have "less than perfect" credit customers be serviced for credit correction services.

2 It is yet another objective of the present invention to provide for a fully automated
3 system that allows for a complete loan to be underwritten online.

4 It is yet another objective of the present invention to provide an interactive
5 means for the customer to sort and view their credit data in multiple formats.

6 It is still another objective of the present invention to present customer credit
7 data in a flexible way by allowing the credit data to be sorted using user-definable
8 parameters.

9 These and other objectives of the present invention will become apparent to
10 those skilled in the art from a review of the specification that follows.

11 The present invention is a web-based credit correction service that is offered to
12 individuals and is further coupled with loan facilitator to allow for the credit of the
13 borrower to be corrected. For purposes of this application, the term "borrower" and
14 "customer" are synonymous and represent the individual who desires to borrow money.

15 The process begins with the borrower contacting a loan facilitator, either in
16 person or online to complete the necessary forms for borrowing money. At the point of
17 loan origination, it may become apparent to the loan facilitator that the borrower has
18 less than perfect credit. During the course of the loan origination, the borrower typically
19 fills out a form that allows the retrieval of a credit report from one or more of various
20 credit bureaus as noted earlier.

21 The credit bureaus report consumer credit information in various forms. While
22 they generally provide the same type of information on each borrower, that information
23 is presented in a variety of different formats, some of which may be virtually

1 incomprehensible to the borrower. At the present time, two of the three primary credit
2 bureaus have their information available online to those authorized users. It is
3 anticipated that the third credit bureau, Equifax, will eventually have its credit reports
4 available online as well. While at the present time the present invention refers to the
5 three principle credit bureaus, this is not meant as a limitation. For example, it is
6 anticipated that other credit bureaus may be authorized in the future to provide
7 information. Further, other types of credit sources such as Dunn and Bradstreet and
8 others are also available and may have information that is relevant to the decision of
9 the lender to lend money to a borrower. Thus while information from credit bureaus is
10 discussed below, this should be read broadly as to include information from any credit
11 repository such as bad check databases and the like.

12 The loan facilitator, upon obtaining the appropriate forms and permissions and,
13 after analysis of the borrowers credit, may determine that this loan cannot be
14 underwritten by the primary lenders with whom the loan facilitator is associated. In this
15 case, secondary lenders may be indicated as the appropriate lenders who lend money
16 to those with less than perfect credit at rates that appropriately reflect the risk that may
17 be associated with such borrowers.

18 The loan facilitator sends the less-than-perfect credit borrower's applications to
19 the credit correction subsystem of the present invention. The credit correction
20 subsystem is an integral part of the overall loan origination and approval as noted
21 above, but constitutes its own separate process and also constitutes a separate entry
22 point into the loan process that is available to borrowers.

23 The credit correction subsystem receives the borrower's credit application and

1 authorization to obtain credit information and submits the credit report request to the
2 appropriate reporting agency. This report may be submitted to all of the agencies and
3 other credit databases. Thereafter, the credit report is sent back to the credit correction
4 subsystem which receives the information and parses the data in the reports. The
5 server of the present invention parses all of the data, including every trade line on a
6 consumers credit report. In this fashion, the system is not limited to only adverse
7 information since errors may also occur on tradeline information with no adverse
8 information. For example, an account with Sears is showing on the consumers credit
9 report with a balance of \$4,500.00 and a monthly payment of \$250.00 and no late
10 payments ever. This item is not adverse but the consumer claims never to have had a
11 Sears Charge card. If the system only included adverse items, then a consumer would
12 not be able to dispute an account that is not adverse but is not accurate. Thus the
13 credit correction subsystem parses every line in the credit report which reflects an
14 account with a creditor and allows the borrower to identify adverse information as well
15 as erroneous information such as an entry for an account which never belonged to the
16 borrower or an account which has been closed. The parsed data from each tradeline is
17 used to populate an interactive configurable electronic form that is submitted to the
18 borrower.

19 The borrower is then given the option of disputing any of the credit references
20 noted on the credit form. In this instance, a series of options is presented to the
21 borrower. Those options are to dispute a particular item of credit, or to leave that
22 particular credit item alone. If the user decides to dispute the item of credit, the user
23 clicks an appropriate option and advises the credit correction subsystem of the

1 borrower's intent to dispute the credit item. Thereafter, a new series of screens is
2 presented to the borrower to dispute the particular account.

3 The dispute account screen allows the users to select a series of predetermined
4 options such as "not my account," "never paid late," "paid in full," or other options. In
5 addition, the user can simply present a challenge to the credit bureau to prove that the
6 information is accurate or complete.

7 Other options for response to a particular credit items can be added by the credit
8 correction subsystem as needed and subsequently presented to the user.

9 Once the borrower decides to challenge the credit item and completes the
10 appropriate form, the user is then asked if the user desires to create a letter to go to the
11 credit bureau via electronic or traditional mail to dispute the account using the rationale
12 presented in the "dispute account" screen. It should also be noted that the user is given
13 the option to present certain other text reasons which may not be present on the
14 dispute account screen.

15 Once this information is completed, individualized letters are sent to the credit
16 bureaus presenting the reasons noted by the borrower and disputing the particular
17 credit item. By this process, at least some of the credit errors can be cleared from the
18 borrower's record. In so doing, this will raise the credit level of the borrower and
19 potentially allow the loan to be underwritten by primary lenders and/or secondary
20 lenders.

21 As noted earlier, the actual service for credit correction will be offered to
22 borrowers for free. Revenue for use of the present invention will occur in two fashions.
23 First, revenue can be derived from loan facilitators who, through use of the credit

1 correction subsystem of the present invention will have the ability to have more loans
2 underwritten by lenders. This allows for more fees to the loan facilitator which can be
3 shared with the organization running the credit correction subsystem. In addition,
4 consumers will be charged for retrieval, translation, and reformatting of the credit
5 reports from the various credit agencies. This is a valuable service that allows reports
6 from the various credit bureaus to be comprehensible to the borrower, and thereby
7 allows the borrower to make a more informed judgment as to what items of credit to
8 dispute.

9 The credit correction subsystem of the present invention also serves some
10 additional purposes that ultimately lead to favorable terms for a loan that is desired by a
11 borrower. In this process the borrower fills out the normal loan application and submits
12 the application to the credit correction subsystem. The credit correction subsystem
13 checks to determine if there are any reports on file, and if not retrieves reports from the
14 appropriate credit bureau. If any credit corrections are necessary, the credit correction
15 subsystem provides the appropriate functionality to the borrower to correct the credit as
16 noted earlier.

17 As part of the credit correction subsystem, the organization that runs the
18 subsystem receives and registers information from a number of retail lenders who are
19 interested in lending money to individuals who submit applications to the credit
20 correction subsystem. A separate portion of the credit subsystem website is reserved
21 for lenders to periodically review the applications of potential borrowers who desire to
22 borrow money. Information is presented both on the web page reserved for lenders as
23 well as being sent directly to those lenders who register with the credit correction

1 subsystem. The lenders view the summary of information on the potential borrower,
2 either on the website or in the electronic message that is sent to the lender. If the
3 lender decides to view the application a request is sent to the credit correction
4 subsystem and a copy of the application and the credit report is sent to the lender.

5 At this juncture, the credit correction subsystem derives revenue by charging the
6 lender for each application and credit report that the lender wishes to review.

7 The lender reviews the credit application and corrected credit report and accepts
8 the application and enters the appropriate terms that the lender deems to be
9 reasonable for the credit rating for the particular borrower in question. The lender then
10 sends an "accept with terms" message to the web server of the credit correction
11 subsystem and this particular loan is added to a queue of loans and offers that can be
12 reviewed by the borrower. Once a number of loan bids are received, preferably five,
13 the loan bids are presented to the borrower for selection. The borrower can then
14 indicate electronically by clicking on the appropriate loan desired with the results being
15 forwarded to the website.

16 Brief Description of Figures

17 Figure 1, illustrates the data flow of the present invention.

18 Figure 2, illustrates a continuation of the data flow of the present invention

19 Figure 3, illustrates a continuation of the data flow of the present invention.

20 Figure 4 illustrates the login screen for access to the consumer's full credit report.

21 Figure 5 illustrates the summary screen for the consumer's entire credit report, and a
22 browser menu.

23 Figure 6 illustrates the summary screen for an individual creditor's report displayed in

1 both Narrative and Traditional formats, and a browser menu.

2 Figure 7 illustrates a sample generated letter.

3 Detailed Description of the Invention

4 As noted above, the present invention is a system and method for borrowers to
5 submit loan documents to acquire a loan. Further the system allows the borrower to
6 correct erroneous or adverse credit information that may be present in a credit bureau
7 report as part of the overall loan process. Part of the process is to acquire information
8 from the credit bureaus.

9 It is important to note that the customer (borrower) can complete the required
10 forms electronically or the loan facilitator, with the appropriate authorization and with the
11 borrower present can complete the required forms.

12 As part of the electronic submission of documents to lenders, the present
13 invention also allows for electronic images of documents submitted by the borrower to
14 be attached to the other documents that are submitted to lenders over the Internet. In
15 practice, this works in two ways. First, the loan facilitator completes the appropriate
16 information electronically with the server of the present invention. Further, the broker
17 scans any documents that are submitted by the potential borrower, such as W-2 forms,
18 tax forms, real estate and other asset forms, and the like. This is not meant, however,
19 as a limitation since the facilitator can always fax or mail the supporting documents to
20 the entity that administers the server of the present invention. These documents are
21 scanned and sent as electronic images attached to the electronic submission to the
22 server of the present invention. Thereafter, the server submits the appropriate loan
23 documents for the borrower together with the electronic image of those documents so

1 that the lender can see an image of the documents that are used to support the
2 information that is presented to the lender.

3 Later, as part of the approval process, the original documents can be produced
4 to the approving lender. However, during the electronic brokering of the loan, all
5 activities occur in an electronic fashion.

6 Referring to Figure 1, the data flow of the present invention is illustrated. A
7 customer signs onto the website of the present invention and receives a form for
8 requesting credit information 10. The customer can complete the form in one of several
9 ways. First, the customer can complete the form online 12 presenting all the required
10 information.

11 Alternatively the customer can print out the form and send the form into the
12 various credit bureaus by fax, or make a telephonic request 14 or can order the credit
13 information through an appropriate affiliated credit reporting agency 16. When using
14 the present invention however, the order for credit information is received by the server
15 of the present invention 18 and, at the present time, electronically transmitted to an
16 entity approved to access credit bureau databases whereupon, this approved entity 26
17 sends appropriate requests to the three credit reporting agencies TRW 20, Transunion
18 22, and Equifax 24. This "approved entity" currently exists but may possibly be
19 eliminated in the future. The presence of this entity in the present invention is meant
20 therefore as a limitation but only to reflect present day operations.

21 Credit information is then sent from the credit reporting agencies back to the
22 approved entity 26 where the information is then sent to the server of the present
23 invention 28.

1 At the credit server of the present invention several actions take place. First, the
2 information is reviewed electronically and parsed into a narrative format that can be
3 understood by normal customers. This operation takes the stilted and sometimes
4 difficult to understand language of credit reports and automatically converts that
5 information into readable narrative that the customer can understand. In addition to this
6 narrative creation, the server of the present invention creates an electronic dispute form
7 enabling the borrower to dispute the credit information.

8 Referring to Figure 2, the data flow of the present invention is continued. As
9 noted above, information is parsed and formatted 30 in such a way that consumers can
10 understand the information that is presented therein. Adverse information 32 is
11 identified and a credit dispute form and an appropriate letter is created 34. Thereafter,
12 the electronic credit dispute form and letter is sent to the customer 36.

13 Upon receipt of the merged credit report and the notations of adverse credit
14 together with the electronic credit dispute form, the customer has the option of disputing
15 38 the credit items noted in the report. If the customer does dispute the credit
16 reference, the customer has the option of checking any number of options in
17 responding to the credit reference. This automatically creates the appropriate letter
18 which is then sent to the three credit reporting bureaus 20, 22 and 24 for their own
19 internal dispute resolution actions either electronically or by traditional means.
20 Thereafter, updated and corrected credit reports are then sent to the customer 40.

21 The credit report of the present invention uses the data reported from the various
22 credit bureaus. However, the credit report of the present invention is an interactive one.
23 The customer has the option to sort the credit information in any desired manner. For

1 example, the customer can request the system to sort by creditor name, credit bureau
2 reporting, accounts with 30 day late payments, 60 day late payments, and in any other
3 fashion desired by the customer.

4 Referring to Figure 3, the data flow of the present invention continues. Once the
5 customer receives the updated credit information from the credit bureau, the customer
6 sends the information to the server of the present invention 42. Alternatively, if a broker
7 or mortgage lender is involved, each may send the information to the server as well.
8 The server already possesses information concerning the loan amounts desired by the
9 customer. The server therefore takes the customer credit information, merges that with
10 other credit terms desired by the customer, and prepares an appropriate offer 44. This
11 offer is then sent by the server of the present invention to various lenders 46, 48 and 50
12 who then receive the information including credit information, background information,
13 scanned documentation where required, and amount of money to be borrowed by the
14 customer. The various lenders then respond to the offer with their own terms and
15 conditions which may vary one from another. These various lender offers are then
16 received by the server of the present invention 52.

17 The server accumulates offers from various lenders and, upon receipt of a
18 certain number of offers, preferably 5, presents those offers to the customer 54. The
19 customer can then review the various offers from various lenders and accept an offer
20 56 and communicate the acceptance of that offer to the server of the present invention
21 58. The acceptance of the offer is then communicated to the lender 60 whereupon the
22 lender then creates the appropriate paperwork which is sent directly to the customer.

23 With the present invention, revenue is derived from a variety of sources. The

1 entity that manages the server of the present invention derives revenue from the
2 processing of the credit correction requests. Credit reports are charged at a certain
3 amount to customers, which includes any costs associated with generating the letters
4 and analysis which the customer then uses.

5 An entity that runs the server of the present invention also derives revenue from
6 the various lenders who accept loans from particular customers. In this fashion the
7 server of the present invention receives an origination fee from the lender that is the
8 ultimate successful lender to the customer.

9 In this fashion the present invention serves the need to not only correct a credit
10 reference of certain customers but allow the most cost effective loan to be presented to
11 a customer for selection. Thus the customer saves money by receiving a variety of loan
12 offers that can be accepted at the most favorable terms.

13 **Example**

14 Following is an example of the credit correction procedure of the present
15 invention.

16 Referring to Figure 4, the login screen for access to the consumer's full credit
17 report is illustrated. The consumer enters his social security number in box 400, and
18 his pin number in box 401. The consumer also has the option of determining a display
19 type from the Display Type pull down menu 402. Then the consumer logs in via the
20 "Login" button 403.

21 Referring Figure 5, the summary screen 500 for the consumer's entire credit
22 report, and a browser menu 501 is illustrated. Within the browser menu, the consumer
23 can choose whether to view the creditors' reports in Narrative or Traditional form, or

both, via the "Display Type" pull down menu 502. The consumer can also choose to view the entire list of creditors, sorted by name, date, high balance, monthly payment, balance, date reported, bureaus, X30, X60 or X90, via the "Sort by" pull down menu 503; or can choose to view an individual creditor's report via the "Jump to" pull down menu 504. The consumer then selects the "Go" button 505. As noted earlier, the "Traditional form" may be incomprehensible to many consumers. Hence, the system of the present invention also converts credit reports to a narrative form that can be better and more easily understood.

Selecting the "Next" button 506 brings up the first listed individual creditor report. "Display Credit Report" 507 will automatically display the entire list of creditors sorted according to the "Sort by" selection. Selecting the "Create/View Letters" button 508 allows the consumer to view or create letters to creditors.

Referring to Figure 6, the summary screen 600 for an individual creditor's report displayed in both Narrative and Traditional formats, and a browser menu 601 is illustrated. Under the "Click and Correct" section of the summary screen, the consumer has the option of choosing to dispute or not dispute the credit report information by selecting the appropriate "radio" button 610. Under the "Nature of Dispute" section of the summary screen, the consumer who disputes the credit report information can choose one of six possible bases for the dispute by clicking on the appropriate "radio" button 611. The consumer may also provide a written explanation of the dispute in the text box 612 at the bottom of the summary screen.

In addition to browsing the preceding and succeeding screens by selecting the "Previous" 609 or "Next" 606 buttons, the consumer may select the "Jump to" pull down

1 menu to choose another individual creditor's report 604 and press "Go" 605. He may
2 also view the entire credit report summary via the "Display Credit Report" button 607,
3 sorted by name, date, high balance, monthly payment, balance, date reported, bureaus,
4 X30, X60 or X90 via the "Sort by" pull down menu 603. The chosen reports may be
5 viewed in Narrative or Traditional formats by selecting the "Display Type" pull down
6 menu 602.

7 If the consumer wants to prepare a letter to a creditor which incorporates the
8 information entered in the summary screen for each disputed credit report, the
9 consumer selects the "Create/View Letters" button 608 to automatically generate a
10 dispute letter to a creditor and the appropriate credit reporting bureau.

11 Referring to Figure 7, a sample generated letter is illustrated.

12 The equipment that gives rise to the present invention comprises standard
13 hardware such as that generally owned by consumers. For example, IBM PCs,
14 Macintosh computers, and the like which are typical of the type used by consumers for
15 interaction over the internet are completely appropriate for the present invention. The
16 server of the present invention can be an Intel Pentium class processor or server such
17 as those offered by Sun Microsystems and the like. The internet is the preferable
18 network for use by the present invention. However, this is not meant as a limitation.
19 Private networks are also equally suitable for the presentation of information and
20 communication between the credit bureaus and the server of the present invention.
21 Further, a computer at the customers location is not meant as a limitation. For
22 example, a customer not possessing a personal computer can go to a more centralized
23 location such as a loan origination office and convey the information necessary to utilize

1 the present invention as well.

2 A system and method for correcting erroneous and/or inaccurate credit
3 references and loan application has been illustrated. It will be appreciated by those
4 skilled in the art that other embodiments of the present invention are possible without
5 departing from the scope of the invention as disclosed.

6